

**COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER**

**INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

June 30, 2015

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BOARD OF DIRECTORS

NAME	POSITION
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Board Members

Jim Gill	President
Doug Bailey	Member
Jerry Haverly	Member
Carl Bergstrom	Member
Mike Cooper	Member
Louis Stauter	Member
Clark Fletcher	Member
Harvey Terpstra	Member
Bill Lusher	Member
Stan Watne	Member
Pat Tate	Member
Lauris Olson	Member

Organization Officials

Michelle DeLaRiva	Executive Director
Pam Barkley	Controller



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community and Family Resources
and The Richmond Center
Fort Dodge, Iowa

Report on the Financial Statements

We have audited the accompanying combined financial statements of Community and Family Resources and The Richmond Center, which comprise the Combined Statement of Financial Position, as of June 30, 2015, and the related Combined Statements of Activities, Functional Expenses and Cash Flows for the year then ended and the related Notes to Combined Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to on the previous page present fairly, in all material respects, the combined financial position of Community and Family Resources and The Richmond Center as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the combined financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2016 on our consideration of Community and Family Resources and The Richmond Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community and Family Resources and The Richmond Center's internal control over financial reporting and compliance.

Schnur & Company, LLP

Fort Dodge, Iowa
January 5, 2016

**COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER**

Exhibit A

**COMBINED STATEMENT OF FINANCIAL POSITION
June 30, 2015**

ASSETS

Current Assets:

Cash	\$ 1,670,732
Accounts receivable, net	464,226
Prepaid expenses	17,859
Total current assets	2,152,817

Investment in IBHN	150,000
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Property and Equipment:

Land	255,737
Buildings	1,496,102
Equipment	1,487,868
Vehicles	173,556
	<u>3,413,263</u>
Less accumulated depreciation	<u>2,170,042</u>
	<u>1,243,221</u>

Total assets	\$ 3,546,038
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 38,964
Accrued salaries	111,070
Accrued paid time off	76,110
Accrued payroll taxes and benefits	23,019
Accrued expenses	4,664
Total current liabilities	253,827

Net Assets:

Unrestricted:

Undesignated	2,676,142
Board designated	600,000
	<u>3,276,142</u>
Temporarily restricted	16,069
Total net assets	3,292,211

Total liabilities and net assets	\$ 3,546,038
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See Notes to Combined Financial Statements.

**COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER**

Exhibit B

**COMBINED STATEMENT OF ACTIVITIES
Year Ended June 30, 2015**

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Federal and state grants	\$ 2,406,900	\$ -	\$ 2,406,900
Medicaid	1,339,522	-	1,339,522
County contributions	154,506	-	154,506
City contributions	12,967	-	12,967
Other contributions	40,385	500	40,885
Client private pay	267,746	-	267,746
Client third-party pay	1,268,948	-	1,268,948
OWI	50,404	-	50,404
Evaluations	24,248	-	24,248
Miscellaneous	99,110	-	99,110
Interest	1,437	-	1,437
Contributed facilities and services	1,435	-	1,435
	<u>5,667,608</u>	<u>500</u>	<u>5,668,108</u>
Net Assets Released from Restrictions	12,381	(12,381)	-
Total revenue and support	<u>5,679,989</u>	<u>(11,881)</u>	<u>5,668,108</u>
Expenditures:			
General and administrative	1,034,612	-	1,034,612
Residential	1,111,398	-	1,111,398
Special programs	507,103	-	507,103
Outpatient	1,105,139	-	1,105,139
Psychiatry	244,627	-	244,627
Therapy	364,541	-	364,541
Prevention	202,711	-	202,711
Total expenditures	<u>4,570,131</u>	<u>-</u>	<u>4,570,131</u>
Increase (decrease) in net assets	<u>1,109,858</u>	<u>(11,881)</u>	<u>1,097,977</u>
Net assets at beginning of year	<u>2,166,284</u>	<u>27,950</u>	<u>2,194,234</u>
Net assets at end of year	<u>\$ 3,276,142</u>	<u>\$ 16,069</u>	<u>\$ 3,292,211</u>

See Notes to Combined Financial Statements.

**COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015**

		Residential	
	General and Adminis- trative	Adult Residential and Detox	Recovery and Transition House
Operating Expenses:			
Salary	\$ 499,475	\$ 571,000	\$ 33,090
FICA/Medicare	48,751	51,062	2,864
Workers' compensation	11,984	12,581	712
Unemployment	7,283	7,967	448
Health insurance	39,654	42,617	2,332
IPERS	54,943	57,823	3,261
Dues, fees and memberships	10,808	248	50
Subscriptions/publications	200	217	-
Food/groceries	-	124,797	9,217
Medical supplies	-	3,806	90
Program supplies	3,397	18,926	4,879
Office supplies	2,897	5,894	173
Operating supplies/non-food	2,034	19,737	2,268
Recreational	-	-	-
Postage	5,886	200	112
Meetings	23	-	-
Advertising/promotional items	17,619	144	-
Depreciation	47,851	9,134	2,464
Computer hardware, software, maintenance	70,032	-	-
Building repairs/maintenance	-	16,085	3,008
Office repairs/maintenance	-	2,740	-
Office/space rental	-	-	-
Utilities	12,550	24,674	12,226
Telephone	25,124	18,658	18,601
Insurance	42,042	-	-
Property tax	-	-	-
Contracted services	66,228	17,916	-
Recruiting expenses	4,901	3,359	-
In-state travel	7,155	18	-
Out-of-state travel	-	-	-
Staff development training	4,884	1,479	214
Tuition reimbursement	-	-	-
Meals	772	13	13
Vehicle expense	(870)	2,715	37
Lodging and other travel costs	667	-	-
Board expense	1,224	-	-
Interest allocation	-	-	-
Miscellaneous expense	344	1,503	26
	<u>\$ 987,858</u>	<u>\$ 1,015,313</u>	<u>\$ 96,085</u>

See Notes to Combined Financial Statements.

		Community and Family Resources										The Richmond Center				
Special Programs		Outpatient										General and Adminis-				
STARS Program (Adolescent Treatment)	Gambling (Treatment, Education and Housing)	Fort Dodge	Ames	Boone	Webster City	Rockwell City	Pocahontas	Humboldt	Clarion	Prevention		trative	Psychiatry	Therapy	Total	
\$ 347,810	\$ 11,018	\$ 268,727	\$ 195,834	\$ 44,519	\$ 39,334	\$ 8,421	\$ 8,704	\$ 8,704	\$ 18,640	\$ 114,959		\$ 5,708	\$ 76,928	\$ 223,822	\$ 2,476,693	
7,400	788	22,136	15,657	4,439	3,781	812	868	868	1,850	3,631		1,618	5,695	16,104	188,324	
1,843	196	5,457	3,859	1,102	938	201	215	215	459	912		424	1,464	4,142	46,704	
1,158	123	3,401	2,435	677	581	127	135	135	287	610		292	845	2,406	28,910	
5,604	579	18,261	13,032	3,635	3,124	712	728	728	1,544	2,896		1,254	4,892	13,767	155,359	
8,343	888	25,062	17,734	5,052	4,310	921	987	987	2,103	4,135		1,885	6,604	18,671	213,709	
50	100	55	110	-	-	-	-	-	-	75		79	-	390	11,965	
3	-	215	168	9	133	-	-	-	41	273		-	59	122	1,440	
23,084	-	-	-	-	-	-	-	-	-	-		-	-	-	157,098	
249	-	12	38	286	-	-	-	-	-	-		-	118	-	4,599	
9,501	877	14,802	10,590	717	4,175	15	-	-	-	12,813		-	121	242	81,055	
1,499	-	3,547	1,235	695	482	-	63	-	1	519		-	1,065	2,096	20,166	
4,323	60	2,207	1,662	703	168	-	-	-	-	252		-	485	1,411	35,310	
552	-	-	-	-	-	-	-	-	-	-		-	-	-	552	
120	-	426	587	330	410	4	4	4	7	-		-	1,658	3,396	13,144	
-	-	-	-	-	-	-	-	-	-	-		-	-	-	23	
-	-	-	-	450	-	-	-	-	229	9,477		-	400	799	29,118	
-	-	294	5,032	-	-	-	-	-	-	-		-	9,882	9,882	84,539	
43	755	2,926	-	-	82	-	-	-	-	712		-	-	-	74,550	
6,319	-	5,229	9,006	320	-	-	-	143	-	-		-	2,880	6,606	49,596	
1,350	301	2,644	3,630	-	744	-	-	-	57	1,030		-	1,210	2,420	16,126	
16,068	3,108	45,540	-	6,300	7,884	2,027	1,500	4,080	3,600	11,418		-	2,175	10,125	113,825	
11,975	192	9,597	11,857	126	455	-	-	-	696	2,068		-	4,065	8,378	98,859	
10,943	3,491	17,920	54,800	10,943	5,512	6,733	8,549	8,549	6,200	10,170		-	17,220	37,602	261,015	
1,389	-	-	-	-	-	-	-	-	-	-		17,528	-	-	60,959	
-	-	11,736	-	-	-	-	-	-	-	-		-	-	-	11,736	
8,273	87	4,824	629	1,656	205	-	-	-	-	8,018		16,958	106,307	625	231,726	
2,083	-	737	820	76	169	-	-	-	-	743		-	241	483	13,612	
55	4,764	2,334	1,796	322	-	1,052	764	13	-	8,373		-	313	14	26,973	
-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	
761	5,356	689	405	200	446	-	-	-	20	8,552		100	-	1,038	24,144	
-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	
4	167	22	-	-	-	-	-	-	-	602		-	-	-	1,593	
3,449	-	59	410	-	-	-	-	-	20	48		-	-	-	5,868	
-	-	-	-	-	-	-	-	-	-	416		-	-	-	1,083	
-	-	-	-	-	-	-	-	-	-	-		-	-	-	1,224	
-	-	-	20,813	-	-	-	-	-	-	-		-	-	-	20,813	
-	2	1,516	3,323	35	26	3	7	7	12	9		908	-	-	7,721	
\$ 474,251	\$ 32,852	\$ 470,375	\$ 375,462	\$ 82,592	\$ 72,959	\$ 21,028	\$ 22,524	\$ 24,433	\$ 35,766	\$ 202,711		\$ 46,754	\$ 244,627	\$ 364,541	\$ 4,570,131	

**COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER**

Exhibit D

**COMBINED STATEMENT OF CASH FLOWS
Year Ended June 30, 2015**

Cash Flows from Operating Activities	
Increase in net assets	\$ 1,097,977
Adjustment to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	84,539
Effect of changes in:	
Accounts receivable	94,463
Prepaid expenses	4,245
Accounts payable	(7,550)
Accrued salaries	11,058
Accrued paid time off	(561)
Accrued payroll taxes and benefits	59
Accrued expenses	42
Net cash provided by operating activities	<u>1,284,272</u>
Cash Flows from Investing Activities	
Redemption of certificates of deposit	4,858
Purchase of property and equipment	(70,501)
Net cash (used in) investing activities	<u>(65,643)</u>
Cash Flows from Financing Activities	
Principal payments on long-term borrowings	(597,997)
Net cash (used in) financing activities	<u>(597,997)</u>
Net increase in cash	620,632
Cash:	
Beginning	<u>1,050,100</u>
Ending	<u><u>\$ 1,670,732</u></u>
Supplemental Disclosure of Cash Flow Information:	
Cash payments for:	
Interest	<u><u>\$ 21,335</u></u>

See Notes to Combined Financial Statements.

COMMUNITY AND FAMILY RESOURCES AND THE RICHMOND CENTER

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Community and Family Resources is a nonprofit corporation that was established in 1968. The purpose of the Organization is to increase understanding, to alleviate the damage, and to reduce the incidence of alcoholism. The Organization operates treatment facilities in northwestern and central Iowa offering outpatient, residential, and detoxification services to persons experiencing problems in living due to alcoholism and other chemical dependencies. Community and Family Resources is funded by federal, state, county, and local governments as well as private payments from patients.

The Richmond Center is a non-profit corporation providing mental health services that include outpatient mental health psychiatric services for the residents of Story and Boone counties.

The financial statements combine Community and Family Resources and The Richmond Center (collectively the "Organization"), which share the same Board of Directors. In addition, The Richmond Center is financially dependent on Community and Family Resources.

Significant accounting policies:

A summary of the Organization's significant accounting policies is as follows:

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of combination: The accompanying combined financial statements include the accounts of Community and Family Resources and The Richmond Center. All material related party balances and transactions have been eliminated in combination.

Contributions and donor restricted funds: The Organization reports gifts of cash and other assets as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All expenses are reported as decreases in unrestricted net assets. Contributions not restricted by donors are recorded as revenue in the unrestricted fund.

Accounts receivable: Accounts receivable, with the exception of private client pay, are recorded on the accrual basis of accounting. Private client pay is recognized as income in the period in which it is received due to the uncertainty of collection. The Organization uses the allowance method of recording bad debts. The allowance for bad debts is \$212,765 at June 30, 2015.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Significant accounting policies (continued):

Investments: The Organization has an 18.9% investment in the Iowa Behavioral Health Network. The Organization accounts for this investment by the cost method since the investment is unlisted and the criteria for using the equity method of accounting are not satisfied.

Property and equipment: Expenditures for the acquisition of property and equipment are capitalized at cost. The fair value of donated furniture and equipment is similarly capitalized. Depreciation is computed using the straight-line method based on the following useful lives:

	<u>Years</u>
Buildings	5-39
Equipment	5-20
Vehicles	5

Contributed facilities and services: A large number of volunteers have given significant amounts of their time to the Organization's programs; however, no amounts have been recognized in the financial statements for volunteer time since no objective basis is available to measure the value of such services.

Advertising costs: Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2015 was \$29,118.

Income taxes: Both Organizations are non-profit corporations exempt from income taxes under § 501(c)(3) of the Internal Revenue Code.

Subsequent events: Subsequent events have been evaluated through January 5, 2016, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Leases

The Organization leases office space for outpatient facilities in several cities in Central Iowa under noncancelable operating leases, which expire on various dates between December, 2015, to June, 2020. Several leases are cancelable should government funding no longer be available.

The Organization leases office equipment under noncancelable operating lease agreements. The leases expire on various dates from July, 2016 to February, 2017. Total future minimum rental commitment by year as of June 30, 2015 follows:

Year ending June 30,	
2016	\$ 196,507
2017	84,966
2018	73,897
2019	21,062
2020	5,941
	<hr/>
	\$ 382,373
	<hr/>

Total rent expense for the year ended June 30, 2015 was \$175,172.

Note 3. Support From Governmental Units

The Organization receives a substantial amount of its support from the federal government, the State of Iowa, and various local counties. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

Note 4. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. Pension and Retirement Benefits

Plan Description - IPERS membership is mandatory for employees of the Organization. Employees of the Organization are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. Pension and Retirement Benefits (Continued)

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Organization contributed 8.93 percent for a total rate of 14.88 percent.

The Organization's contributions to IPERS for the year ended June 30, 2015 were \$213,708. Based upon the June 30, 2014 IPERS report, the most recent report that information is available, the Organization's proportionate share of plan contributions was .035398 percent.

Pension Plan Fiduciary Net Position – Based upon the June 30, 2014 actuarial report, the most recent report, IPERS' fiduciary net position totaled 87.61 percent of the total pension liability.

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Note 6. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited.

Note 7. Restricted Net Assets and Assets Released from Restrictions

Temporarily restricted net assets at June 30, 2015 are available for the following purposes:

Special needs programs for clients	<u>\$ 16,069</u>
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At June 30, 2015, temporarily restricted net assets consisted of cash. For the year ended June 30, 2015, \$12,381 of net assets were released from restrictions for the purpose of roof replacement and special needs programs for clients.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 8. Concentration of Credit Risk

The Organization maintains its cash accounts with banks located in Iowa. The total cash balance is insured by the FDIC up to \$250,000 per bank. The Organization had a cash balance on deposit with one Iowa bank at June 30, 2015 that exceeded the balance insured by the FDIC in the amount of \$1,272,449.

Note 9. Board Designated Restrictions

The Organization has designated funds within the unrestricted net assets class. The purpose of these designations follows:

Fort Dodge Building Project – This fund was established to designate money for the future construction of a new facility in Fort Dodge. The amount is monitored annually by the Board.

SUPPLEMENTARY INFORMATION

**COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER**

Schedule 1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Contract Number	Expenditures
Department of Health and Human Services:			
Iowa Department of Public Health:			
Comprehensive Substance Abuse Prevention	93.959	5885CP15	\$ 99,399
Access to Recovery	93.243	5881AC25	20,406
Access to Recovery	93.243	5885AC25	20,441
Strategic Prevention Framework			
State Incentive Grant Service Fund	93.243	5885CP15	57,150
Iowa Partnerships for Success	93.243	5885IP32	32,660
Magellan Health Services:			130,657
Substance Abuse Prevention and Treatment			
Block Grant	93.959		630,430
			<u>\$ 860,486</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Community and Family Resources and The Richmond Center and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the combined financial statements.

See accompanying Independent Auditor's Report.

**COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER**

**COMBINING SCHEDULE OF STATEMENT OF FINANCIAL POSITION
June 30, 2015**

	Community and Family Resources	The Richmond Center	Sub-total
ASSETS			
Current Assets:			
Cash	\$ 1,500,414	\$ 170,318	\$ 1,670,732
Accounts receivable, net	2,367,829	136,669	2,504,498
Prepaid expenses	17,094	765	17,859
Total current assets	<u>3,885,337</u>	<u>307,752</u>	<u>4,193,089</u>
Investment in IBHN	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Property and Equipment:			
Land	255,737	-	255,737
Buildings	1,327,770	168,332	1,496,102
Equipment	1,237,305	250,563	1,487,868
Vehicles	173,556	-	173,556
	<u>2,994,368</u>	<u>418,895</u>	<u>3,413,263</u>
Less accumulated depreciation	<u>1,900,810</u>	<u>269,232</u>	<u>2,170,042</u>
	<u>1,093,558</u>	<u>149,663</u>	<u>1,243,221</u>
Total assets	<u><u>\$ 5,128,895</u></u>	<u><u>\$ 457,415</u></u>	<u><u>\$ 5,586,310</u></u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 36,198	\$ 2,043,038	\$ 2,079,236
Accrued salaries	97,726	13,344	111,070
Accrued paid time off	68,335	7,775	76,110
Accrued payroll taxes and benefits	23,019	-	23,019
Accrued expenses	4,664	-	4,664
Total current liabilities	<u>229,942</u>	<u>2,064,157</u>	<u>2,294,099</u>
Net Assets:			
Unrestricted:			
Undesignated	4,295,955	(1,619,813)	2,676,142
Board designated	600,000	-	600,000
	<u>4,895,955</u>	<u>(1,619,813)</u>	<u>3,276,142</u>
Temporarily restricted	2,998	13,071	16,069
Total net assets	<u>4,898,953</u>	<u>(1,606,742)</u>	<u>3,292,211</u>
Total liabilities and net assets	<u><u>\$ 5,128,895</u></u>	<u><u>\$ 457,415</u></u>	<u><u>\$ 5,586,310</u></u>

See accompanying Independent Auditor's Report.

Schedule 2

Eliminations	Total
\$ -	\$ 1,670,732
(2,040,272)	464,226
-	17,859
(2,040,272)	2,152,817
-	150,000
-	255,737
-	1,496,102
-	1,487,868
-	173,556
-	3,413,263
-	2,170,042
-	1,243,221
\$ (2,040,272)	\$ 3,546,038

\$ (2,040,272)	\$ 38,964
-	111,070
-	76,110
-	23,019
-	4,664
(2,040,272)	253,827

-	2,676,142
-	600,000
-	3,276,142
-	16,069
-	3,292,211
\$ (2,040,272)	\$ 3,546,038

**COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER**

**COMBINING SCHEDULE OF STATEMENT OF ACTIVITIES
Year Ended June 30, 2015**

	Community and Family Resources	The Richmond Center	Sub-total
Revenue and Support:			
Federal and state grants	\$ 2,406,900	\$ -	\$ 2,406,900
Medicaid	1,056,672	282,850	1,339,522
County contributions	154,506	-	154,506
City contributions	12,157	810	12,967
Other contributions	40,025	860	40,885
Client private pay	229,378	38,368	267,746
Client third-party pay	1,103,057	165,891	1,268,948
OWI	50,404	-	50,404
Evaluations	24,248	-	24,248
Miscellaneous	54,239	44,871	99,110
Interest	1,350	87	1,437
Contributed facilities and services	1,435	-	1,435
Total revenue and support	5,134,371	533,737	5,668,108
Expenditures:			
General and administrative	987,858	46,754	1,034,612
Residential	1,111,398	-	1,111,398
Special programs	507,103	-	507,103
Outpatient	1,105,139	-	1,105,139
Psychiatry	-	244,627	244,627
Therapy	-	364,541	364,541
Prevention	202,711	-	202,711
Total expenditures	3,914,209	655,922	4,570,131
Increase (decrease) in net assets	1,220,162	(122,185)	1,097,977
Net assets at beginning of year	3,678,791	(1,484,557)	2,194,234
Net assets at end of year	\$ 4,898,953	\$ (1,606,742)	\$ 3,292,211

See accompanying Independent Auditor's Report.

Schedule 3

Eliminations		Total	
\$	-	\$	2,406,900
	-		1,339,522
	-		154,506
	-		12,967
	-		40,885
	-		267,746
	-		1,268,948
	-		50,404
	-		24,248
	-		99,110
	-		1,437
	-		1,435
	-		5,668,108
	-		
	-		1,034,612
	-		1,111,398
	-		507,103
	-		1,105,139
	-		244,627
	-		364,541
	-		202,711
	-		4,570,131
	-		1,097,977
	-		2,194,234
\$	-	\$	3,292,211

**COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER**

COMBINING SCHEDULE OF STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

	Community and Family Resources	The Richmond Center	Sub-total
Cash Flows from Operating Activities			
Increase (decrease) in net assets	\$ 1,220,162	\$ (122,185)	\$ 1,097,977
Adjustment to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:			
Depreciation	64,775	19,764	84,539
Effect of changes in:			
Accounts receivable	16,259	42,237	58,496
Prepaid expenses	4,382	(137)	4,245
Accounts payable	(3,956)	32,373	28,417
Accrued salaries	10,053	1,005	11,058
Accrued paid time off	102	(663)	(561)
Accrued payroll taxes and benefits	59	-	59
Accrued expenses	42	-	42
Net cash provided by (used in) operating activities	1,311,878	(27,606)	1,284,272
Cash Flows from Investing Activities:			
Redemption of certificates of deposit	4,858	-	4,858
Purchase of property and equipment	(70,501)	-	(70,501)
Net cash (used in) investing activities	(65,643)	-	(65,643)
Cash Flows from Financing Activities			
Principal payments on long-term borrowings	(597,997)	-	(597,997)
Net cash (used in) financing activities	(597,997)	-	(597,997)
Net increase (decrease) in cash	648,238	(27,606)	620,632
Cash:			
Beginning	852,176	197,924	1,050,100
Ending	<u>\$ 1,500,414</u>	<u>\$ 170,318</u>	<u>\$ 1,670,732</u>
Supplemental Disclosure of Cash Flow Information:			
Cash payments for:			
Interest	<u>\$ 21,335</u>	<u>\$ -</u>	<u>\$ 21,335</u>

See accompanying Independent Auditor's Report.

Schedule 4

Eliminations	Total
\$ -	\$ 1,097,977
-	84,539
35,967	94,463
-	4,245
(35,967)	(7,550)
-	11,058
-	(561)
-	59
-	42
-	1,284,272
-	4,858
-	(70,501)
-	(65,643)
-	(597,997)
-	(597,997)
-	620,632
-	1,050,100
\$ -	\$ 1,670,732
\$ -	\$ 21,335



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF THE COMBINED FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Community and Family Resources
and The Richmond Center
Fort Dodge, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Community and Family Resources and The Richmond Center (the "Organization"), as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated January 5, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 and II-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Organization's Responses to Findings

The Organization's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schnur & Company, LLP

Fort Dodge, Iowa
January 5, 2016



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of
Community and Family Resources
and The Richmond Center
Fort Dodge, Iowa

Report on Compliance for Each Major Federal Program

We have audited Community and Family Resources' and The Richmond Center's (the "Organization") compliance with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2015. The Organization's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Schnur & Company, LLP

Fort Dodge, Iowa
January 5, 2016

**COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

Part I: Summary of the Independent Auditor's Results:

- a. An unmodified opinion was issued on the financial statements.
- b. A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance that is material to the financial statements.
- d. No reportable conditions in internal control over major programs were disclosed by the audit of financial statements.
- e. An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f. The audit did not disclose any audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- g. The major program was CFDA Number 93.959 – Substance Abuse Prevention and Treatment Block Grant.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Community and Family Resources and The Richmond Center did not qualify as low-risk auditees.

Part II: Findings Related to the General Purpose Financial Statements:

II-A-15 Financial Reporting – The Organization's billing software and financial software are not integrated packages. Currently, no reconciliation of the carrying value is performed between the two software packages resulting in a subsequent adjustment by the Organization.

Recommendation – The Organization should implement monthly reconciliation procedures.

Response – We will review our procedures and determine the appropriate changes for monthly reconciliation.

Conclusion – Response accepted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2015

Part II: Findings Related to the General Purpose Financial Statements (continued):

II-B-15 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as preparing, posting and approving general journal entries.

Recommendation – We realize that with a limited number of office employees, segregation of duties with respect to journal entries is difficult. However, the Organization should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

Response – The Organization will continue to review and implement additional controls where possible.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were reported.

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

Part IV: Other Findings Related to Statutory Requirements and Other Matters:

No matters were reported.